



HOUSE BILL 248: Taxpayer Debt Information Act

2013-2014 General Assembly

Committee:	Senate Finance	Date:	June 4, 2013
Introduced by:	Reps. Conrad, Fulghum, Cleveland, Blust	Prepared by:	Cindy Avrette
Analysis of:	Second Edition		Committee Counsel

SUMMARY: *House Bill 315 would make the estimation of interest on a proposed bond issuance of voted debt by a local government part of the LGC review process and would require the ballot question for the authorization of bonds to state that the authorization includes interest and that additional taxes may be levied to repay the debt.*

CURRENT LAW: Article 4 of Chapter 159 of the General Statutes (Local Government Bond Act) governs the ability of units of local government to borrow money secured by a pledge of the taxing power. When a local government proposes to issue bonds that must be approved by a vote of the people,¹ it must publish a notice of intent to apply to the Local Government Commission (LGC) for approval. After considering an application, the LGC enters an order either approving or denying the application after considering several factors. The LGC must approve the application if it determines the following:

- The proposed bond issue is necessary or expedient.
- The proposed amount is adequate for the proposed purpose.
- The unit's debt management procedures are good, or that reasonable assurances have been given that its debt will be managed in strict compliance with the law.
- The increase in taxes, if necessary to service the proposed debt will not be excessive.
- The proposed bonds can be marketed at reasonable rates of interest.

Upon approval, the local government must hold a public hearing, followed by a bond referendum. Bonds may be issued under a bond order at any time within seven years after the order takes effect and up to 10 years with LGC approval. Any action contesting the validity of a bond referendum must begin within 30 days after the publication of the results. After this time period, no right of action may be brought. Chapter 142 governs the issuance of State debt.

BILL ANALYSIS:

Statement of Estimated Interest. – After or at the same time the application is filed, a bond order must be introduced before the governing board of the local government. Once introduced, the board must schedule a public hearing.

¹ Bonds issued for the following purposes do not require voter approval: (1) to suppress riots, insurrections, or any extraordinary breach of law and order; (2) to supply an unforeseen deficiency in the revenue when taxes actually received or collected during the fiscal year fall below collection estimates made in the annual budget ordinance; (3) to meet emergencies threatening the public health or safety, as conclusively determined in writing by the Governor; (4) to refund outstanding general obligation bonds or general obligation bond anticipation notes; (5) bonds as described in G.S. 159-49(2). There are also certain other purposes for which no vote is required to the extent of two-thirds of the amount by which the outstanding indebtedness of the issuing county, county water and sewer district, metro water district, or city was reduced in the preceding fiscal year.



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Section 1 of the bill would require that, after the bond order has been introduced but before the public hearing, the finance officer of the local government unit file a statement with the clerk and the LGC indicating the estimated total amount of interest that will be paid on the bonds over the expected term of the bonds and a summary of the assumptions upon which the estimate is based. It must also include a statement to the effect that the estimate is preliminary, that there is no assurance that the assumptions upon which the estimate is based will occur, and that the actual circumstances at the time the bonds are issued from the assumptions could result in significant differences between the estimated interest and the actual interest. **Section 1** also provides that the validity of the bonds is not subject to challenge on the grounds that the actual interest when issued is different than the amount set forth in the statement.

Publication of Bond Order. – The bond order must be published after it has been introduced and again after it has been approved. Upon publication after introduction, it must include a statement describing the amount of the proposed bonds, indicating that a tax may be levied to pay the principal and interest on the bonds, and announcing when the public hearing will be held. Upon publication after adoption, it must include a statement that any action challenging the validity of the order must commence within 30 days after the date of publication of the notice.

Sections 2 and 3 of the bill would add similar language to each of the statutes related to the publication of the bond order. They would require inclusion of a statement in the order that the finance officer has filed a statement of estimated interest and indicating what the estimated amount is. The changes would permit a summary of the assumptions to be included in the publication and would include disclaimer language to the effect that the estimated amount of interest is preliminary, is for general informational purposes only, and that the validity of the bonds may not be challenged on the basis of the actual interest being different than the estimated interest once the bonds are issued.

Ballot Question. – Under current law, the form of the question on the ballot for a local bond order is as follows:

"Shall the order authorizing \$ _____ bonds for (briefly stating the purpose) be approved?

[] YES

[] NO"

Section 4 of the bill would require that the ballot question also indicate that the approval includes the application of interest to the principal debt amount authorized, but would not state a specific amount of estimated interest. The ballot would also include a statement that additional taxes may be levied in an amount necessary to pay the principal and interest on the bonds.

EFFECTIVE DATE: This act is effective when it becomes law and applies to bonds proposed on or after that date.